

VZCZCXRO0439
RR RUEHBC RUEHDA RUEHDE RUEHDH RUEHIHL RUEHKUK
DE RUEHGB #1096/01 1131525
ZNR UUUUU ZZH ZDK CTG SEVERAL SVCS
R 231525Z APR 09
FM AMEMBASSY BAGHDAD
TO RUEHC/SECSTATE WASHDC 2817
INFO RUCNRAQ/IRAQ COLLECTIVE
RUCPDOG/DEPT OF COMMERCE WASHDC
RHEBAAA/USDOE WASHDC
RUEKJCS/DIA WASHDC

UNCLAS SECTION 01 OF 02 BAGHDAD 001096

SIPDIS

SENSITIVE

DOE FOR GEORGE PERSON; STATE ALSO FOR EEB AND NEA/I

E.O. 12958: N/A

TAGS: [EPET](#) [EINV](#) [ENRG](#) [IZ](#)

SUBJECT: Nasiriyah's Old and New Refineries

REF: Baghdad 47

BAGHDAD 00001096 001.2 OF 002

This is a PRT Dhi Qar reporting cable.

Sensitive but unclassified; contains business proprietary information. Please protect accordingly.

11. (SBU) Summary: PRT Dhi Qar Deputy Team Leader and visiting Embassy Baghdad EconOff met with Nasiriyah Refinery manager Abdul Hasan al-Lawi on April 12. The 30,000 barrel per day Nasiriyah Refinery is representative of the small refineries scattered throughout Iraq. Lawi came across as a dedicated manager, struggling to operate his refinery to meet local and national needs. The Ministry of Oil, however, has awarded a contract for the design of a new refinery to be constructed in Nasiriyah which, at 300,000 barrels per day, will be Iraq's largest. End Summary.

Nasiriyah Refinery's Current Operations

12. (U) Lawi said the Nasiriyah Refinery has a modest 30,000 barrels per day (bbl/d) capacity, consisting of three 10,000 bbl/d trains that refine crude oil into kerosene, diesel, and naphtha for gasoline. Two of the trains were commissioned in 1980 and the Iraqi Ministry of Industry and Minerals had locally fabricated the third, commissioned in 2003. (Note: U.S. firm Howe-Baker manufactured 14 skid-mounted units in the 1970s, which still operate in various locations. The Ministry of Industry and Minerals copied the design to manufacture more. A Ministry of Oil official told us that the distillation units can handle all specifications of Iraqi crude oil. End note.) The refinery's basic atmospheric distilling unit cannot process crude oil further, so 55 percent of the output is in the form of heavy fuel oil (HFO). The refined product generally supplies the needs of Dhi Qar Province (where Nasiriyah is located), but a fourth train produces 400 tons per day of asphalt, which is shipped throughout Iraq for road construction and repair.

13. (U) The asphalt train is operating at only 60-70 percent of capacity, so it utilizes only 7,000 barrels of the 15,000 barrels of HFO produced daily. Four trucks can load the asphalt simultaneously. Lawi was looking forward to receiving natural gas to heat crude oil for the refinery's general operation, saying that a 24-inch pipeline was supposed to be repaired and operational in about two months time. (Note: The provincial manager of the Oil Pipeline Company was not as optimistic that this timeline would be met, when we met with him later. End note.) The use of natural gas, instead of HFO, would improve the efficiency of the refinery, increasing output. During a tour, we saw an inoperative mercox (mercaptan oxidation) unit, which Lawi said was unneeded, since the distillery produced "sweet" kerosene, which did not require desulphurization.

¶4. (U) The Nasiriyah refinery's HFO was shipped by 6-inch pipeline to fuel the Nasiriyah power station and to provide heating for industrial establishments. The crude oil feedstock arrived via the 20-inch strategic pipeline. Lawi noted that its uneven quality created maintenance problems. The crude often had a high water, sulfur, and salt content and contained particulate matter. Lawi said the Ministry of Oil had contracted for the design of a reforming unit in October 2008, which would provide the refinery with the capability of processing naphtha into gasoline. The design would take six months and then the \$68 million reforming unit's installation would be another 30 months. The Nasiriyah refinery should have four trains operational, however, to utilize the reforming unit optimally.

Bio Details and Atmospherics

¶5. (SBU) Originally from the Basrah area, Lawi said he had worked in Nasiriyah since 1985, rising to the position of plant manager in 2003. The former manager had been a member of the Baathist party, and so had been removed. He had also had problems with his health, experiencing difficulty walking. The refinery had not been damaged during Operation Iraqi Freedom and had not experienced any terrorist attacks. Lawi noted that the problem with the pipelines had resulted from thefts of crude oil. When thieves bored into the crude oil pipeline, the resulting leak would dissolve the tar coating the natural gas pipeline as well, causing it to corrode. The refinery employed 1,000 people, of which 160 were engineers. Lawi admitted that only half of the staff was really required. The Italian Army had provided some assistance earlier, but ours was the first visit to the refinery from the PRT.

A New Refinery in Nasiriyah

BAGHDAD 00001096 002 OF 002

¶6. (SBU) In early December 2008, the MoO signed four Front End Engineering and Design (FEED) contracts with foreign firms for new refineries, including a \$128 million contract to U.S.-registered firm Foster Wheeler for a 300,000 bbl/d refinery in Nasiriyah (reftel). MoO official Abdul Hassan al-Attabi told the media that the refinery would provide 10,000 jobs and process crude from the nearby Nasiriyah, Gharraf, and Rafidain oil fields. The MoO informed us separately that the Nasiriyah Refinery design is supposed to include a fluid catalytic cracking and hydrocracking units, which provides the capability to produce a higher proportion of lighter distillates, and an isomerization unit to produce additives to turn naphtha into high-octane gasoline. While some news reports claim the new refinery will be the largest in the Middle East, it will certainly be the largest in Iraq. (Note: Although the Bayji Oil Refinery complex has a rated capacity of 310,000 bbl/d, the new Nasiriyah Refinery will certainly out-produce it, since the aging Bayji facility produces at only about 75%-80% capacity. The four new contracts, for a total additional capacity of 740,000 bbl/d, would more than double Iraq's refinery output. End note.)

¶7. (U) Lawi noted that there would not necessarily be a connection between the existing refinery and the new Nasiriyah refinery. He said the new refinery would be built on a plot of land 10 kilometers south of the existing one and modestly refused to speculate whether he would be promoted to head the new operation. The two refineries might report separately to South Refinery Company headquarters, or the smaller existing refinery operation might be subordinate to the new refinery.

¶8. (SBU) Comment: Deputy Oil Minister Ahmad al-Shamma remarked to a reporter that the FEED contract would not give Foster Wheeler the inside track for actual refinery construction. In fact, we suspect the Engineering, Procurement, and Construction (EPC) contract might go to a Japanese company. Italy's Eni, Spain's Repsol, and a

Japanese consortium led by Nippon Oil are competing for an EPC contract to develop the Nasiriyah oil field. A PRT Dhi Qar contact relayed, based on conversations with Eni representatives, Eni's confidence that it would win the award and that, as a consolation, Nippon Oil would receive the Nasiriyah refinery EPC contract. When EconOff ran this scenario past a Japanese Embassy Minister-Counselor, he agreed that "some kind of deal" might be in the works. In addition, a Nippon Oil executive told the media on the margins of the December Energy Expo at Baghdad International Airport that Nippon Oil had submitted a proposal to construct an oil refinery worth \$5-10 billion, and, in an April 2009 news story, Iraqi Vice President Adil Abd al-Mahdi said he would travel to Japan to discuss construction by Japanese companies of a 300,000 bbl/d refinery in Dhi Qar Province. End comment.

Butenis